

Forex News

US dollar, Japanese yen, Swiss franc

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USD: Euro to strengthen earlier

With the recent publication of test results, a start of vaccination against COVID-19 soon has become almost certain. Previous announcements had been made, but the timing was uncertain, and there were no results from testing the vaccines. Now, everything is much more concrete. The markets have already responded. Yields on the bond market have risen, as has the stock market. The EURUSD is trading at the upper end of the trading range seen in recent months. The somewhat earlier improvement in the environment suggests that the euro could appreciate against the dollar earlier than we originally expected. We now expect to see a noticeable movement by the end of the first quarter of 2021, although this should flatten out as the year progresses. This is because the situation in the two currency areas will not differ fundamentally. Both should show a strong economic recovery from the second quarter at the latest and interest rate hikes should remain a distant prospect for both. However, the environment in 2021 - at least from today's perspective - should show significantly less risk, which argues against the dollar.

JPY: Yen should enter downtrend

Safe-haven assets such as the yen came under pressure from the positive news of the first promising COVID-19 vaccine candidates. This has increased the likelihood of an end to the pandemic in 2021, with positive implications for the global economic outlook. In this environment, demand for safe-haven assets such as the yen typically suffers. We therefore expect the yen to continue its longer-term downtrend against the euro (which began in June) in the coming months. In the event of setbacks in the fight against the pandemic, the yen could temporarily strengthen against the euro.

CHF: Volatile weakening of the Swiss franc expected

Positive news about the first promising COVID-19 vaccines put pressure on the franc against the euro, even though the uncertainty remains high, due to high infection rates in the Eurozone. Now, however, the probability of an end to the pandemic in the course of 2021 has increased. This suggests a dynamic recovery of the global economy in the coming year; an environment in which safe-haven assets such as the Swiss franc usually come under selling pressure. We therefore expect a gradual depreciation of the Swiss franc against the euro in the coming months. However, uncertainty remains high, which leads us to expect continued high volatility. In the event of setbacks in the fight against the pandemic, as well as the intensification of geopolitical risks, the Swiss franc could abruptly strengthen against the euro at any time.

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Note: Past performance is not necessarily indicative of future results.

Currency overview

EUR/USD – last two years



Source: Market data provider, Erste Group Research

EUR/USD – since 2000



Source: Market data provider, Erste Group Research

EUR/JPY – last two years



Source: Market data provider, Erste Group Research

EUR/JPY – since 2000



Source: Market data provider, Erste Group Research

EUR/CHF – last two years



Source: Market data provider, Erste Group Research

EUR/CHF – since 2000



Source: Market data provider, Erste Group Research

Exchange rate forecasts¹

Currency	current	Dec.20	Mar.21	Jun.21	Sep.21
EURUSD	1.19	1.20 ↑	1.22 ↑	1.22 ↑	1.23 ↑
EURCHF	1.09	1.09	1.10	1.12	1.13
EURJPY	current	Dec.20	Mar.21	Jun.21	Sep.21
Bloomberg Survey		124.0 ↓	125.0 ↓	126.0	126.0 ↓
Spot/Forward	124.2	124.3 ↓	124.4 ↓	124.5	124.6 ↑

Source: Market data provider, Erste Group Research

Interest rate forecasts

	current	Dec.20	Mar.21	Jun.21	Sep.21
3M Euribor	-0.53	-0.50	-0.50	-0.50	-0.50
3M Libor US	0.21	0.20 ↓	0.20 ↓	0.20 ↓	0.20 ↓
SARON	-0.70	-0.75	-0.75	-0.75	-0.75

Source: Market data provider, Erste Group Research

In case of changes to our forecasts compared to the previous issue, arrows show the direction of the change.

¹ By regulations we are obliged to issue the following statement: Forecasts are no reliable indicator of future performance.

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